

**BANK INDONESIA REGULATION
NUMBER 6 / 9 /PBI/2004
CONCERNING
THE SUBSEQUENT ACTION FOR SUPERVISION AND DESIGNATION OF
BANK STATUS**

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to create a sound banking system, it is deemed necessary to conduct subsequent actions to supervise the banks considered to have potential difficulties in their business operations, banks with vast total assets, banks in crisis that put their business operations at risk, and banks that are deemed to be incompetent of handling their crises;
 - b. whereas with the termination of duties and the institution of The Indonesian Bank Restructuring Agency, it is deemed necessary to alter the mechanism of the subsequent action for supervision and designation of bank status;
 - c. whereas in regard to the above concerns, it is deemed necessary to regulate provisions concerning the Subsequent Action for Supervision and Designation of Bank Status in Bank Indonesia Regulation;

- In view of:
1. Act Number 7 of 1992 concerning Banking (the State Gazette of 1992 Number 31, the Supplement to the State Gazette Number 3472) as amended by Act Number 10 of 1998 (the State Gazette of the Republic of Indonesia of 1998 Number 182, the Supplement to the State Gazette Number 3790);

2. Act

2. Act Number 23 of 1999 concerning Bank Indonesia (the State Gazette of the Republic of Indonesia of 1999 Number 66, the Supplement to the State Gazette Number 3843) as amended by Act Number 3 of 2004 (the State Gazette of the Republic of Indonesia of 2004 Number 7, the Supplement to the State Gazette Number 4357);
3. Government Regulation Number 25 of 1999 concerning the Revocation of Operating License, Dissolution and Liquidation of Banks (the State Gazette of the Republic of Indonesia of 1999 Number 52, The Supplement to the State Gazette Number 3831);
4. Presidential Decree of the Republic of Indonesia Number 26 of 1998 Concerning the Guarantee of Payment Liabilities of Commercial Banks (the State Gazette of the Republic of Indonesia of 1998 Number 29) as amended by the Presidential Decree of the Republic of Indonesia Number 17 of 2004 (the State Gazette of the Republic of Indonesia of 2004 Number 24);
5. Presidential Decree of the Republic of Indonesia Number 15 of 2004 Concerning the Termination of Duties and Institution of the Indonesian Bank Restructuring Agency;

In regards of:

The Memorandum of Understanding between the Ministry of Finance and the Governor of Bank Indonesia dated 17 March 2004 concerning the provisions and code of conducts for decision making concerning the financial difficulties of banks that create a systemic effect, the facility for emergency financing, the source of fund from the National Budget;

HAS DECREED

HAS DECREED:

To enact : BANK INDONESIA REGULATION CONCERNING THE
SUBSEQUENT ACTION FOR SUPERVISION AND DESIGNATION
OF BANK STATUS.

CHAPTER I

GENERAL PROVISIONS

Article 1

The terminology used in this Bank Indonesia Regulation have these following meanings:

1. Bank is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including for a branch office of foreign banks;
2. Coordinating Committee is the decision-making committee in the supervision of problem Banks that cause systemic effects. The Committee consists of the Ministry of Finance and the Governor of Bank Indonesia.

CHAPTER II

BANKS UNDER INTENSIVE SUPERVISION

Article 2

- (1) In the event that Bank Indonesia deems a Bank to be in such condition as to have potential difficulties endangering its continued operation, the Bank shall be placed under intensive supervision by Bank Indonesia.

(2) A Bank

- (2) A Bank deemed to have potential difficulties endangering its continued operation as referred to in paragraph (1) is a Bank that falls within one or more of the following criteria :
- a. is rated poor or unsound in the scale of Bank rating;
 - b. undergoes actual or potential problems pursuant to an assessment of composite risk;
 - c. has conducted lending in excess or in violation of the Legal Lending Limit and in the opinion of Bank Indonesia the problem solving scheme proposed by the Bank are unacceptable or impossible to achieve;
 - d. has violated the Net Open Position and in the opinion of Bank Indonesia, problem solving scheme proposed by the Bank are unacceptable or impossible to achieve;
 - e. retain Statutory Reserves ratio in Rupiahs in the same amount or bigger than the determined ratio for the Statutory Reserves, but the Bank is considered to be having a basic liquidity problem;
 - f. is deemed to have fundamental problem in profitability;
 - g. has net non-performing loans in excess of 5% (five percent) of total credit.
- (3) In order to conduct an intensive supervision as referred to in paragraph (1), Bank Indonesia is entitled to perform these following actions:
- a. to demand the Bank to submit a report of particular issues to Bank Indonesia;
 - b. to increase the frequency of business plan updating and evaluation in regards to the intended aims and objectives;
 - c. to ask the Bank to create an action plan for the occurring problems;
 - d. to conduct an on-site supervision by Bank Indonesia, if considered necessary.
- (4) In the case of the Bank under intensive supervision requires certain recovery actions, Bank Indonesia is entitled to implement the actions as referred to in Article 5 paragraph (3).

Article 3

- (1) Bank Indonesia shall conduct an intensive supervision on Bank that retains a total assets in a bigger amount than the total banking assets as referred to in Article 2 paragraph (1).
- (2) To conduct an intensive supervision as referred to in paragraph (1), Bank Indonesia shall perform actions such as appointing a supervisor or examiner to conduct on-site supervision presence at the Bank referred to in Article 2 paragraph (3) letter d.

Article 4

Bank Indonesia shall notify the concerning Bank about the plan to conduct an on-site supervisory presence as referred to in Article 2 and Article 3, including the reasons for the appointment and the necessary actions that must be carried out by the Bank.

CHAPTER III

BANKS UNDER SPECIAL SURVEILLANCE

Article 5

- (1) In the case of Bank Indonesia weigh potential problem that might put the stability of the concerned Bank business operation at risk, then the Bank shall be placed under special surveillance by Bank Indonesia.
- (2) A bank deemed to be experiencing difficulties that endanger its continued business operation as referred to in paragraph (1) is a Bank that meets 1 (one) or more than one criteria as follows:
 - a. Capital Adequacy Ratio is less than 8% (eight percent);
 - b. ratio of Statutory Reserves in rupiahs is less than the required ratio for a Bank, with an indication of worsening condition in the near future or considered by Bank Indonesia as undergoing a basic liquidity problem.

(3) In order

- (3) In order to conduct the special surveillance as referred to in paragraph (1), Bank Indonesia:
- a. shall order the Bank and/or the shareholders of the Bank to submit its capital restoration plan in written form to Bank Indonesia within at least 15 (fifteen) days commencing from the date of the letter of notification from Bank Indonesia regarding that the Bank Capital Adequacy Ratio is less than 8% (eight percent);
 - b. shall order the Bank to comply with its mandatory supervisory actions immediately after receiving the letter of notification from Bank Indonesia stating that the Capital Adequacy Ratio is in the same amount or less than 6% (six percent);
 - c. may order the Bank and or the Bank shareholders to carry out certain actions such as:
 - 1) to change the board of commissioners and/or the board of directors;
 - 2) to write off credit or bad financing based on Shariah principles and calculate bank loss with the Bank capital;
 - 3) to conduct a merger or consolidate with other bank(s);
 - 4) to sell the Bank to a buyer who is willing to take over all liabilities of the bank;
 - 5) to delegate the management of part or all of Bank activities to another party;
 - 6) to sell part or all of the assets and liabilities of the Bank to another Bank or party; and or
 - 7) suspending certain business activities of the Bank.
- (4) For a Bank with a Capital Adequacy Ratio greater than 6% (six percent) and less than 8% (eight percent), the Bank shall comply with the provisions referred to in paragraph (3) letter a and also obligate to:

a. carry out

- a. carry out the recovery actions defined in Article 7 paragraph (1) letter a, letter b, letter d, letter e, letter f, letter g, and letter h;
 - b. submit a detailed daily report concerning the liquidity schedule for the next 3 (three) months or based on the report frequency and period stipulated by Bank Indonesia;
 - c. submit a monthly report concerning the realization of recovery actions as regulated in letter a and the realization of capital restoration plan as referred to in paragraph (3) letter a.
- (5) If necessary, Bank Indonesia shall conduct an on-site supervisory presence by appointing a supervisor or examiner in a Bank that retains a Capital Adequacy Ratio of more than 6% (six percent) and less than 8% (eight percent) as referred to in Article 7 paragraph (2).

Article 6

- (1) The Bank capital restoration plan as referred to in Article 5 paragraph (3) letter a must describe the Bank ability to achieve and maintain the Capital Adequacy Ratio of 8% (eight percent) or more, within the period of time that is stipulated by Bank Indonesia.
- (2) To evaluate the capital restoration plan as referred to in paragraph (1), Bank Indonesia shall give evaluation within at least 15 (fifteen) days after receiving the complete documents and shall notify the Bank about the approval or rejection in written.
- (3) If the capital restoration program as referred to in paragraph (2) is rejected by Bank Indonesia, the Bank may apply a revision of its capital restoration plan within the maximum period of 10 (ten) days after the date of the letter of notification.
- (4) To evaluate the revision of capital restoration plan as referred to in paragraph (1), Bank Indonesia shall give evaluation within at least 10 (ten) days after receiving the complete documents and shall notify the Bank about the approval or rejection in written.

(5) A Bank

- (5) A Bank that retains a Capital Adequacy Ratio of less than 8% (eight percent) and fails to apply a revision of its capital restoration plan within the stipulated period of time as referred to in Article 5 (five) paragraph (3) letter a, must comply with the provisions in Article 7.
- (6) A Bank failing to submit a revision of its capital restoration plan and a Bank whose revised capital restoration plan is rejected by Bank Indonesia must comply with the provisions in Article.
- (7) A Bank physically failing to carry out the capital restoration plan that has been applied to Bank Indonesia must comply with the provisions in Article 7.
- (8) A Bank that has submitted a capital restoration plan may conduct an alteration of plan provided that it is approved by Bank Indonesia.

Article 7

- (1) A Bank under special surveillance and having a Capital Adequacy Ratio equal to or less than 6% (six percent) must comply with the provisions as referred to in Article 5 paragraph (3) letter a and carry out the mandatory supervisory actions stipulated by Bank Indonesia immediately after receiving the notification from Bank Indonesia that including but not limited to the following provisions:
 - a. prohibition of the Bank from paying out any distribution of capital;
 - b. prohibition of the Bank from conducting any transactions with a related party and/ or any other parties according to Bank Indonesia, unless there is a permission from Bank Indonesia;
 - c. imposition of restriction on the Bank to assets growth, being in assistance, and/or for acquiring a new loan unless there is a permission from Bank Indonesia;
 - d. imposition of restriction on the Bank to carrying out business expansion plan or new business activities that have never been performed before, unless there is a permission from Bank Indonesia;

e. imposition

- e. imposition of restriction on the Bank pertaining to payment salaries, compensation or any other form of similar payment to the management of the Bank, and or compensation for related parties that occurred 1 (one) year before the Bank retains a Capital Adequacy Ratio below 8% (eight percent);
- f. prohibition of the Bank from executing payment on subordinated loan;
- g. mandatory reporting by the Bank of any change in share ownership in any amount less than 10% (ten percent);
- h. prohibition of the Bank from undertaking any change in ownership from:
 - 1) shareholders that retain shares equal to or greater than 10% (ten percent); and or
 - 2) The Controlling Shareholders, including the Controlling parties of Bank in the business group structure of the Bank,

without a given permission from Bank Indonesia.
- i. The Bank is prohibited from selling or reducing the amount of its assets or strengthening its commitment and contingency without a permission from Bank Indonesia, except for Bank Indonesia Certificates, Demand Deposit at Bank Indonesia, Inter-Bank billing statement, and the Government Securities;
- j. The Bank must submit these following documents to Bank Indonesia:
 - 1) information and the documents conveying:
 - a) the structure of the board of directors and the board of commissioners for the last 3 (three) years;
 - b) the capital structure and the list of shareholders for the last 3 (three) years;
 - c) the information concerning the record of prime customers;
 - d) the list of billing statements in detail and the obligation to the concerning Bank;

e). other

- e) other information required by Bank Indonesia;
- 2) the last financial statements from the companies that receive the Bank assistance besides the temporary capital assistance in terms of debt restructuring;
- 3) the structure of the last business group that can be connected to the Bank including legal entities hold by the Bank owner(s) up until the Ultimate Shareholders,

within a period of not more than 10 (ten) days after the notification from Bank Indonesia to the Bank concerning the obligation to carry out the mandatory supervisory actions stipulated by Bank Indonesia.

- (2) Bank Indonesia shall supervise the Bank condition that must comply with the provisions as referred to in paragraph (1) through the appointment of a supervisor or examiner by Bank Indonesia (on-site supervisory presence).
- (3) Bank Indonesia shall notify about the actions performed by Bank Indonesia for the Bank to the authorized supervisor for the main office and/or subsidiaries of the Bank.
- (4) Bank Indonesia shall notify about the actions performed by Bank Indonesia for the Bank to the Government.

Article 8

- (1) The Bank or the shareholders of the Bank that is put under special surveillance as referred to in Article 5 paragraph (1) must carry out actions set forth in Article 5 paragraph (3) to achieve the Capital Adequacy Ratio and/or Statutory Reserves according to the existing provisions within:
 - a. not more than 6 (six) months for a Bank listed on the Capital Market;
 - b. not more than 3 (three) months for a Bank not listed on the Capital Market or a representative office of foreign bank,

from the

from the date of issuance of the written order by Bank Indonesia.

- (2) The period of time referred to in paragraph (1) shall only be extended once with the maximum length of time of 3 (three) months.

Article 9

- (1) Bank Indonesia may announce the Banks that:
 - a. retain a Capital Adequacy Ratio of 6% (six percent) or less;
 - b. retain a Capital Adequacy Ratio between 6% (six percent) to 8% (eight percent) and fail to submit a capital restoration plan;
 - c. retain a Capital Adequacy Ratio between 6% (six percent) to 8% (eight percent) and fail to implement the capital restoration plan;
 - d. retain a Capital Adequacy Ratio between 6% (six percent) to 8% (eight percent) but whose revised capital restoration plan is not approved by Bank Indonesia;
 - e. are granted an extended time period as referred to in Article 8 paragraph (2).
- (2) The announcement defined in paragraph (1) encompasses the announcement on the recovery actions that must be implemented by the Bank as referred to in Article 5 paragraph 7.
- (3) Bank Indonesia may make announcement concerning these following matters:
 - a. The Bank referred to in paragraph (1) letter a, letter b, letter c, and letter d that has accomplished the actions as referred to in Article 5 and Article 7; and/or
 - b. A Bank exceeding the extended period of time as referred to in paragraph (1) letter e,

that is in compliance with the criteria of retaining the Capital Adequacy Ratio of 8% (eight percent) or more, or obtaining the Statutory Reserves in rupiahs with the same amount as obligated for the Statutory Reserves in rupiahs of Bank.

CHAPTER IV
BANK WITH SYSTEMIC EFFECT

Article 10

The Bank that is put under special surveillance in compliance with the provisions in Article 5 paragraph (1) and indicated to be having a systemic effect shall be reported by Bank Indonesia to the Coordinating Committee.

Article 11

Bank Indonesia shall give report and ask the Coordinating Committee to discuss the problems encountered by the Bank under special surveillance as referred to in Article 10, in cases of:

- a. The period of time as referred to in Article 8 is not finished but the condition of the Bank has turn for the worse; or
- b. The period of time as referred to in Article 8 has been exceeded, the Capital Adequacy Ratio is less than 8% (eight percent) and the condition of the Bank is not improved.

Article 12

- (1) In the case of the Coordinating Committee concludes a Bank to be having a systemic effect as referred to in Article 11, the Bank or the Bank shareholders must implement the actions established by the Coordinating Committee within the period of time stipulated by the Coordinating Committee.
- (2) In the case of there is a difference between the period of time stipulated by the Coordinating Committee as referred to in paragraph (1) from the period of time referred to in Article 8, then the established period of time shall be one that determined by the Coordinating Committee.

(3) If the period

- (3) If the period of time referred to in paragraph (2) has been exceeded and the condition of the Bank is not improved, Bank Indonesia shall ask the Coordinating Committee to discuss problems encountered by the Bank and actions that should be implemented by the Bank.

CHAPTER V

DESIGNATION OF BANKS FOR REVOCATION OF OPERATING LICENSE

Article 13

- (1) Bank Indonesia shall establish a revocation of the operating license of a Bank other than the Bank referred to in Article 12, if the Bank has these qualifications:
- a. Even though the time period as referred to in Article 8 has not been exceeded, the condition of the Bank is undergoing rapid deterioration that includes these following circumstances:
 - 1) the Capital Adequacy Ratio is less than 2% (two percent) and is considered to be unable to raise it to 8% (eight percent); or
 - 2) the Capital Adequacy Ratio is less than 0% (zero percent) and fails to have a settlement in accordance with the applicable regulations; or
 - b. The time period referred to in Article 8 has been exceeded, the Capital Adequacy Ratio is less than 8% (eight percent) and the condition of the Bank is not improved.
- (2) Bank Indonesia shall establish a revocation of operating license for a Bank referred to in Article 12 in compliance with the recommendation from the Coordinating Committee.

Article 14

Bank Indonesia shall conduct some actions in the revocation of the Bank operating

license in

license in accordance with the provisions in Article 13 and order the Bank to implement settlements actions, as stipulated by the applicable provisions concerning business license revocation, the dissolution of legal entity and liquidation of banks, and the Government guarantee for the acquittal obligation of commercial banks.

CHAPTER VI MISCELLANEOUS PROVISIONS

Article 15

The compulsory report and information must be submitted by the Bank to Bank Indonesia in compliance with this Bank Indonesia Regulation to this following address:

- a. The Directorate of Bank Supervision of the concerned Bank, Jl. M.H. Thamrin No.2 Jakarta 10110, for a Bank whose head office is within the working area of Bank Indonesia head office; or
- b. Bank Indonesia local offices for a Bank whose head office is outside the working area of Bank Indonesia head office.

CHAPTER VII

SANCTION

Article 16

Bank Indonesia shall give administrative sanction in accordance with Article 52 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, comprising the termination of bank managers and/or the prohibition for involvement in the clearing process for the Bank that fails to comply with its obligations as ordered by Bank Indonesia in accordance with Article 2 paragraph (3), and Article 5 paragraph (3) and paragraph (4).

CHAPTER VIII TRANSITIONAL PROVISIONS

Article 17

Article 17

A Bank under special surveillance in time of the enactment of this Bank Indonesia Regulation shall be liable to operating license revocation if the Bank experience one of the following conditions:

- a. the time period is still within the stipulated time mainframe by Bank Indonesia, but the decreasing condition of Bank still continues with these following conditions:
 - 1) retains a Capital Adequacy Ratio of less than 2% (two percent) and considered fails to raise it to 8% (eight percent); or
 - (2) retains the Statutory Reserves of less than 0% (zero percent) and fails to arrange a settlement according to the applicable regulations; or
- b. The time mainframe stipulated by Bank Indonesia has been exceeded, the Capital Adequacy Ratio is less than 8% (eight percent) and the decreasing condition of the Bank fails to improve.

CHAPTER IX

CONCLUDING PROVISIONS

Article 18

With the issuance of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 3/25/PBI/2001 dated 26 December 2001 concerning the Designation of Bank Status and Placement of Banks In Receivership of The Indonesian Bank Restructuring Agency is revoked and declared no longer valid.

Article 19.

This Bank Indonesia Regulation shall come into force on the date of its enactment.

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Enacted in: Jakarta

Dated : 26 March 2004

The Governor of Bank Indonesia

Signed

ANWAR NASUTION
SENIOR DEPUTY GOVERNOR

THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2004 NUMBER 33
DPNP

**ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 6/ 9/ PBI/ 2004

CONCERNING
THE SUBSEQUENT ACTION FOR SUPERVISION AND DESIGNATION OF
BANK STATUS**

GENERAL REVIEW

The termination of the Indonesian Banking Restructuring Agency may mark the end of Indonesian banking restructuring program. But still there are Banks undergoing problems that put their business operations under a great risk and/or at the same time are endangering the banking system.

Therefore, in order to create and maintain a sound banking system, it is deemed necessary to conduct certain actions upon the concerned Banks, such as conducting an intensive supervision, special surveillance and other actions upon the bank considered causing systemic effects. There are actions for restructuring and maintaining sound condition for Banks that are considered to be prospectively sound. There are also actions of settlement for Banks that are unable to improve.

Furthermore, it is deemed necessary to determine clear requirements and criteria for the level of difficulties of the problems encountered by the Banks in the course of their business. It is also necessary to determine the required actions for coordination and mechanism performed by Bank Indonesia and the Government as the concerned parties in creating a sound and strong finance system. These actions for coordination are applied in the Memorandum of Understanding between the Ministry of Finance and the Governor of Bank Indonesia.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Paragraph (1)

The term ‘intensive supervision’ refers to the improvement of supervision on Bank in order to prevent the Bank from being placed under a special surveillance as referred to in Article 5.

The preventive actions require an improvement within a time mainframe to improve to condition of the Bank.

The analysis on potential difficulties that the may be encountered by the Bank in the course of its business is based on the financial condition of the Bank for the next period of 3 (three) months to 12 (twelve) months.

Paragraph (2)

Letter a

The provisions concerning the rating of a Bank is based on the applicable provisions concerning the rating system of commercial banks stipulated by Bank Indonesia

Letter b

The term ‘composite risk test’ refers to quarterly risk profile assessment with the results of test as whether high-risk or moderate-risk with the tendency of an increased risk.

Letter c

The provisions concerning the over-limit or violation of the Legal Lending Limit are based on the prevailing Bank Indonesia Regulation concerning the Legal Lending Limit. The stipulation of Bank to be under intensive supervision shall not cancel the sanctions over the violation and/or over-

limit

limit of the Legal Lending Limit in accordance with the applicable provisions.

Letter d

The provisions concerning the Net Open Position shall be based on the applicable provisions on the Net Open Position stipulated by Bank Indonesia. The stipulation of Bank to be under intensive supervision shall not cancel the sanctions over the violation of the Net Open Position as stipulated by the applicable provisions.

Letter e

The definition of 'fundamental liquidity problem' concerns a decreased commitment line of another bank, a change of position in the money market from net lender to be net-borrower, borrowing on the money market at rates higher than in the common market, a dependency on collateral for acquiring fund, an increased dependency on inter-bank money market, and an excessive strategy for credit distribution.

The provisions concerning the ratio of Statutory Reserves in rupiahs shall be based on the applicable provisions on the Statutory Reserves stipulated by Bank Indonesia.

Letter f

The basic profitability problem may derive from the efficiency of the Bank that has reached a break-even point, a raised cost-of-risk affecting the solvability condition of the Bank, income based on re-admission of Allowance for Earning Assets Losses, or most income is based on non-operational income.

Letter g

The term 'non-performing loan' refers to a credit with sub-standard performance, doubtful and loss based on the provisions concerning Earning Assets Quality stipulated by Bank Indonesia.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

The appointment of a supervisor or examiner from Bank Indonesia is intended to monitor Bank actions in settling the encountered problems particularly actions that are taken to anticipate the quick-changing risks such as liquidity and the decreasing productive quality assets.

Paragraph (4)

Self-explanatory.

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Paragraph (1)

Self-explanatory

Self-explanatory.

Paragraph (2)

Letter a

The provisions concerning the Capital Adequacy Ratio are based on the Bank Indonesia Regulation concerning the Minimum Capital Adequacy Requirement for Commercial Banks.

Letter b

The provisions concerning the Statutory Reserves in rupiahs rate are based on the applicable provisions on the Statutory Reserves stipulated by Bank Indonesia.

The term ‘worsening condition’ or ‘undergoing a fundamental liquidity problem’ conveys the meanings of the effort of the Bank to acquire a loan with a lot higher interest rate than the normal (market) interest rate, a high dependency on short-term money market fund to cover up the limited Statutory Reserves, a decreasing line acceptance from other banks, a change of position of Bank in the money market, from net-lender to net-borrower, a dependency on collateral for acquiring fund, and an excessive strategy for fund rendering.

Paragraph (3)

The implementation of the instruction of Bank Indonesia in this paragraph shall be based on a careful examination on the Bank condition through a special investigation. Bank Indonesia careful examination and instruction shall encompass a direct monitoring process on the Bank operational activities without terminating neither the responsibilities of the shareholders nor the managers of the Bank operational and duties before or after the instruction of careful examination.

The implementation

The implementation of Bank Indonesia instruction on this Paragraph shall be in accordance with the provisions in Article 37 and Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

Administrative sanction implementation shall be in compliance with Article 52 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, caused by a violation of the principle of Carefulness by the Bank and/or a violation of the Bank commitment to Bank Indonesia.

Letter a

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Letter b

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Letter c

Self-explanatory

Paragraph (4)

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Paragraph (5)

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Article 6

Article 6

Paragraph (1)

The scope of the Bank capital restoration plan in this Paragraph shall be more focused on the result of capital accumulation than the result of divestment or merger with another bank.

The Bank capital restoration plan must also describe the Bank methods in gaining profits, lowering the amount of its assets, performing divestment, or carrying out other actions in attaining the Capital Adequacy Ratio.

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Paragraph (6)

Self-explanatory.

Paragraph (7)

Self-explanatory.

Paragraph (8)

Paragraph (8)

The Bank shall implement its unchanged capital restoration plan until the alteration of its capital restoration plan is approved by Bank Indonesia.

Article 7

Paragraph (1)

The implementation of the provisions in this Paragraph shall be in relation to the provisions in Article 6 Paragraph (5), Paragraph (6), and

Paragraph (7).

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Letter a

The term 'capital distribution' refers to the repurchasing of Bank stock, dividend payment, and/or management fee.

Letter b

The Bank managers must provide complete information concerning the list of related parties within 10 (ten) days after the date of notification from Bank Indonesia.

Bank Indonesia shall also limit transactional operations with individuals or a legal entity that may be categorized as non-related party.

The term 'related party' refers to the related party in accordance with the applicable provisions concerning the Legal Lending Limit.

Letter c to Letter g

Self-explanatory.

Letter h

Number 1)

Number 1)

The term 'retain' conveys the meanings of:

- a. a shareholder within a group of shareholders that owns;
- b. a shareholder acting in concert with another shareholder that owns;
or
- c. a shareholder with a voting right or other rights for the stocks, that
caused the shareholder to own;

A 10% (ten percent) or more of the Bank shares.

Number 2)

The provisions on Controlling Shareholders and the Control shall be based on the applicable provisions concerning Fit and Proper Test stipulated by Bank Indonesia.

Letter i

Self-explanatory

Letter j

Number 1)

Self-explanatory.

Number 2)

Self-explanatory.

Number 3)

contain all the individuals or legal entities that own 10% or more of the stocks of the concerned legal entity and shall also state the parties acting as Controlling Shareholders.

Paragraph (2)

The appointment

The appointment of a supervisor or examiner in this Paragraph shall be more focused on the recovery actions or required anticipative procedures if the condition of the Bank is not improved within the stipulated time main frame in order to save the cost for the Government and/or Bank Indonesia.

Paragraph (3)

The notification from Bank Indonesia to the authorized supervisor in-charge of the the Bank main-office and/or subsidiaries shall be intended to deliver information on the actions and required anticipated procedures taken by Bank Indonesia to the concerned authorized supervisor in-charge of the Bank main office and/or subsidiaries.

In the case of a branch office of a foreign bank, the term ‘main-office’ refers to the main office of the foreign bank branch-office.

Paragraph (4)

The notification from Bank Indonesia to the Government is intended for the Government to receive information concerning the actions taken by Bank Indonesia to implement the required anticipated actions in order to guarantee the commercial bank payment obligation.

The Government in this Paragraph refers to the Ministry of Finance of the Republic of Indonesia.

Article 8

Paragraph (1)

The period of time in this Paragraph does not include required time to fulfill the requirements in legal processing in accordance with the applicable laws.

The required legal process includes the adaptation of the altered statue, ownership rights acquisition, and license permit process.

Letter a

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Paragraph (2)

Because an extension of the time period may raise the cost of liquidation, an extension may only be permitted based on a sufficient explanation conveying that the process of restoration shall only be made possible within an extensional period of maximum 3 (three) months after the time period referred to in Paragraph (1).

Article 9

Paragraph (1)

This announcement is in order to make transparent of Bank Indonesia policies as a part of Bank Indonesia public accountability for the responsibilities of managing and monitoring Bank as mandated by Act Number 23 of 1999 concerning Bank Indonesia as amended by Act Number 3 of 2004 concerning the Alteration on Act Number 23 of 1999.

The announcement shall be made with respects for the following things:

- a. the scope and dimension of problem encountered by the Bank;
- b. the developing performance of the Bank;
- c. implementation of the commitment and the realization of the actions stipulated for the Bank and/or the shareholders;
- d. if at the end of the time period the Bank is unable to solve its problems;
- e. The agreement of the Coordinating Committee for the Banks established as systemic Banks.

The announcement

The announcement shall be made on Bank Indonesia home page with the following address: <http://www.bi.go.id>

Letter a to Letter d

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia

Letter e

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The announcement shall be made on Bank Indonesia home page with the following address: <http://www.bi.go.id>

The provisions on the Statutory Reserves shall be based on the applicable provisions concerning the Statutory Reserves for Commercial Bank Indonesia stipulated by Bank Indonesia.

Article 10

Systemic effect is the scope and dimension caused by the concerned Bank that resulted in the failure of other Banks that decreasing the trust for the banking system and causing a crisis that endangering the financial system.

Article 11

Letter a and Letter b

Self-explanatory.

Article 12

Paragraph (1)

The action

The actions and time period stipulated for the Bank shall be based on the consideration of the scope and dimension of the problems and the effects of the problems encountered by the Bank.

The recovery actions stipulated by the Coordinating Committee shall convey the Emergency Fund Facility.

The actions stipulated by the Coordination Committee shall not dismiss the Bank obligations to implement the actions stipulated by the Bank under special surveillance set forth in Article 5 Paragraph (3) and Paragraph (4), and Article 7 Paragraph (1) and Paragraph (2), unless there is another provision to alter this provision.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Among the actions taken is the recommendation for the revocation of the Bank operating license.

Article 13

Paragraph (1)

The Bank in Article 12 refers to the Banks un-established as a bank with systemic effect stipulated by the Coordinating Committee.

Letter a

Number 1) and Number 2)

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

The provisions on the Statutory Reserves shall be based on the applicable provisions concerning the Statutory Reserves for Commercial Bank Indonesia stipulated by Bank Indonesia.

Letter b

The term 'the bank condition is not improved' refers to the Bank undergoing problems that put its business activities at risk in compliance with the criteria in Article 5 Paragraph (2).

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Paragraph (2)

Self-explanatory.

Article 14

The procedures the revocation of Bank operating license performed by Bank Indonesia shall encompass the coordination with the Government in order to guarantee the payment obligation of Commercial Banks.

Article 15

Self-explanatory.

Article 16

The Bank in this Article refers to the both Banks that are included or not included in the Government Guarantee Program.

Article 17

The term period stipulated by Bank Indonesia refers to the stipulated time period in accordance with Article 6 of Bank Indonesia Regulation Number 3/25/PBI/2001 dated 26 December 2001 concerning the Designation of Bank Status and Placement of Banks In Receivership of the Indonesia Bank Restructuring Agency.

Letter a

Number 1) and Number 2)

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

The provisions on the Statutory Reserves shall be based on the applicable provisions concerning the Statutory Reserves for Commercial Bank Indonesia stipulated by Bank Indonesia.

Letter b

The term 'the bank condition is not improved' refers to the Bank undergoing problems that put its business activities at risk in compliance with the criteria in Article 3 Paragraph (2) of Bank Indonesia Regulation Number 3/25/PBI/2001 dated 26 December 2001 concerning the Designation of Bank Status and Placement of Banks In Receivership of the Indonesia Banking Restructuring Agency.

The provisions concerning the Capital Adequacy Ratio are based on the applicable provisions on the Minimum Capital Adequacy Requirement for Commercial Banks stipulated by Bank Indonesia.

Article 18

Self-explanatory.

Article 19

Self-explanatory.